

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

INVESTIGATION OF NELSON VALLEY WATER
ASSOCIATION, INC.

)
)
) CASE NO. 90-236
)
)
)

ALLEGED VIOLATIONS OF KRS CHAPTER 278

O R D E R

Nelson Valley Water Association, Inc. ("Nelson Valley") is a non-profit, non-stock water association organized under KRS Chapter 271. Nelson Valley distributes water to the public for compensation and is subject to the regulatory jurisdiction of this Commission pursuant to KRS 278.040 and 278.012.

On April 25, 1990, a periodic inspection was made of Nelson Valley by the Commission's Division of Engineering. The findings of that inspection were reduced to a report, attached hereto and incorporated herein as Appendix A, and sent to the utility on May 2, 1990. Nelson Valley's response to the inspection report, attached hereto and incorporated herein as Appendix B, was received on May 16, 1990.

According to the report, Nelson Valley is charging and collecting a \$20 meter test charge and a \$15 service charge to its customers that have not been approved by or filed with this Commission. After reviewing Nelson Valley's response to the inspection report, the Commission's Division of Utility

Engineering and Services, by letter dated May 21, 1990, attached hereto and incorporated herein as Appendix C, informed Volando Taylor, Chairman of Nelson Valley, that specific cost justification forms and a tariff sheet are required to be filed with the Commission seeking approval of special charges pursuant to 807 KAR 5:006, Section 12. As of the date of this Order, cost justification forms have not been received by this Commission.

KRS 278.160 provides:

(1) [e]ach utility shall file with the commission, within such time and in such form as the commission designates, schedules showing all rates and conditions for service established by it and collected or enforced. . . .

(2) No utility shall charge, demand, collect or receive from any person a greater or less compensation for any service rendered or to be rendered than that prescribed in its filed schedules, and no person shall receive any service from any utility for a compensation greater or less than that prescribed in such schedules.

Nelson Valley has failed to adhere to the provisions of KRS 278.160 in charging rates which do not appear in its tariff and which have not been approved by this Commission. Accordingly, the Commission finds that a prima facie showing has been made that Nelson Valley has violated KRS 278.160 by charging unauthorized rates and Nelson Valley should cease charging any and all rates not specifically approved by this Commission.

IT IS THEREFORE ORDERED that:

1. Nelson Valley shall appear at a hearing scheduled September 28, 1990 at 9:00 a.m., Eastern Daylight Time, in Hearing Room 1 of the Commission's offices at 730 Schenkel Lane in Frankfort, Kentucky, and be prepared to show cause why Nelson

Valley should not be penalized pursuant to KRS 278.990 for its failure to comply with KRS 278.160.

2. Nelson Valley shall immediately cease charging any rates and special charges not specifically approved by this Commission.

3. Nelson Valley shall submit a written response to all allegations contained herein within 20 days of the date of this Order.

4. Within 20 days of the date of this Order, Nelson Valley shall file a schedule showing a monthly breakdown of miscellaneous service revenues collected for the last 5 years. The schedule shall list each and every unauthorized service charge collected and shall show each individual customer's name and address from whom each charge was collected.

Done at Frankfort, Kentucky, this 21st day of August, 1990.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director



COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION
730 SCHENKEL LANE
POST OFFICE BOX 615
FRANKFORT, KY. 40602
(502) 564-3940

May 2, 1990

Mr. Volando Taylor
President
Nelson Valley Water
Association, Inc.
P. O. Box 458
Somerset, KY 42501

Dear Mr. Taylor:

On April 25, 1990, a periodic inspection was made of Nelson Valley Water Association, Inc., by K. Michael Newton, Utility Investigator with the Public Service Commission. The comments on this inspection have been condensed into a report, which is being sent herewith in the interest of obtaining your response. We would appreciate receiving your response to this report no later than June 4, 1990.

Please feel free to call Mr. Newton at (502) 564-2133 for any clarification you may need on this matter.

Sincerely,

A handwritten signature in cursive script, reading "Eddie B. Smith", is written over the typed name.

Eddie B. Smith, Manager
Water & Sewer Branch
Division of Utility Engineering
& Services

EBS:KMN:aem
Attachment

Commonwealth of Kentucky
Public Service Commission

UTILITY INSPECTION REPORT

Nelson Valley Water Association, Inc.
Somerset, Kentucky

Utility operations, utility maintenance, utility management and their effect on utility services are a primary concern of the Commission and this Division. Our ongoing inspection program is an expression of this concern. During each inspection, I am stressing: (1) the importance of periodic testing of customers' meters, (2) the importance of accounting for all water purchased and/or produced, (3) the need for surveillance of system operations and (4) the significance of good operating records.

The subject inspection was made April 25, 1990. The utility consists of a distribution system operating in Pulaski County, Kentucky. It has approximately 850 customers on its system. The utility representatives providing information and assistance during this inspection were Joe Crow, manager and Volando Taylor, president of the Association.

The Association's facility operations and its office procedures were reviewed for compliance with the Kentucky Revised Statutes (KRS 278) and the Public Service Commission Regulations (807 KAR).

The following deficiencies were noted:

1. The utility is charging "special charges" (\$20 meter test and \$15 service charge) to customers for services. These special charges are not on file with the Commission as required by 807 KR 5:006, Section 12.

2. The utility is not testing new meters prior to installation at a customer's service as specified in 807 KAR 5:006, Section 13 (1) and 807 KAR 5:066, Section 16 (2).

The utility is required to test these new meters unless it has notified the Commission of its intent to use the manufacturer's meter data. Nelson Valley has not notified the Commission for permission to use manufacturer's test data.

3. The utility is maintaining meter history cards but not meter test cards as required by 807 KAR 5:006, Section 15 (1).
4. The utility submitted an inspection procedure to the Public Service Commission on June 6, 1988. However, the inspection program had a few minor deficiencies and a safety program was not submitted. On June 10, 1988, the Commission staff informed Nelson Valley by letter of the deficiencies in the inspection procedure and non-submittal of the safety program. As of the date of this report Nelson Valley has not corrected this matter and therefore is found not to be in compliance with KAR 5:006, Sections 22 and 23.
5. The utility does not provide water storage to insure a minimum of one (1) day supply of its average daily water usage as required by 807 KAR 5:066, Section 5 (4).


Recommendations

A written response should be prepared and forwarded to the Public Service Commission within 30 days of the date of receipt of this report. This response should say what has been done or what will be done to correct each noted deficiency. A starting

Report - Nelson Valley Water
Association, Inc.
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date and a completion date should be given for actions that are to
be accomplished after the date the response is mailed.

Submitted,
May 2, 1990


K. Michael Newton
Utility Investigator

CGR:KMN:aem

Holston Valley Water Assn
Holston Valley

May - 13 - 1990

Public Service Commission
Attn - K. Michael Newton
Dear Sir

MAY 1 1990

DR. J. C. HARRIS
ENGINEER

This letter is in response
to your letter to us, Related to
Various Deficiencies Noted after your
Inspection.

First Special Charges

As AM Enclosing your Report We Made
When you were Here At Just Failed
To Be In Your Report. But was left on
Desk At REC -

2 Meter Testing

We had reported that we were
replacing all meters with Rockwell meters. "New"
So we are using Rockwell's test as
test required by you. We felt that the
meter taken out of service was defective
and for test and Re install was to
ask for trouble, so we installed new
meter. We are now notifying you of
this process.

We have card file and are
in process of correcting this problem.

#4 Safety Program. We have had some problem with this due to the fact that we contract all our service repairs to Don Molden Co.; We cannot assume the operations of Molden's Safety Program & feel that they do observe all necessary safety programs.

We did go into this identification of Nelson Valley worker by wearing a cap that identified worker.

Shawn Crow did take Red Cross Training in 1987.

If you will write me a letter stating specifically what you require in this matter I will work on same.

#5 Water Storage:

We have a request with FMA for a loan to cover this problem

James Truly
Valerie Taylor

Pics. Nelson Valley Water Assn -

Special Charge Cost Schedule

Type of Special Charge: Meter Test - Request or Complaint

1. Field Expense

A. Materials (Itemize)

_____ \$ N/A

B. Labor (Time and Wage)

City of Somerset Test Facility \$ 5.00
Nelson Valley Water Association - Service Charge 15.00

Subtotal Field Expense 20.00

2. Clerical and Office Expense

A. Supplies \$ N/A

B. Labor _____

Subtotal Clerical and Office Expense N/A

3. Miscellaneous Expense

A. Transportation \$ N/A

B. Other (Itemize)

Subtotal Miscellaneous Expense _____

Total Expense 20.00

Test Made ON Customer Request ONLY

Valerie Taylor Pros
5-15-90

Special Charge Cost Schedule

Type of Special Charge: Service Charge

1. Field Expense

A. Materials (Itemize)

_____	\$ <u>N/A</u>
_____	_____
_____	_____

B. Labor (Time and Wage)

<u>30 to 45 minutes labor</u>	<u>7.50</u>
Subtotal Field Expense	<u>7.50</u>

2. Clerical and Office Expense

A. Supplies	\$ <u>N/A</u>
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B. Labor	_____
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Subtotal Clerical and Office Expense	<u>N/A</u>
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3. Miscellaneous Expense

A. Transportation	30 miles @ .25 =	\$ <u>7.50</u>
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B. Other (Itemize)	_____
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Subtotal Miscellaneous Expense	<u>7.50</u>
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Total Expense	<u>\$15.00</u>
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Test Made on Customer Request only.

Valencia Hayler Pres

5-15-90



COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION
730 SCHENKEL LANE
POST OFFICE BOX 615
FRANKFORT, KY. 40602
(502) 564-3940

May 21, 1990

Mr. Volando Taylor
President
Nelson Valley Water
Association, Inc.
P. O. Box 458
Somerset, KY 42501

Dear Mr. Taylor:

The Commission staff has reviewed your response to our recent inspection of Nelson Valley Water Association, Inc. and offers the following comments.

The special charges Nelson Valley is making for service charge (\$15.00) and meter test (\$20.00) have not been approved by the Commission as required in 807 KAR 5:001, Section 3. Your letter had attached to it the cost justification forms that are required, however you did not set out these charges on a tariff sheet. A blank tariff sheet is enclosed for this purpose. You must resubmit the cost justification forms with your completed tariff sheet.

The meter testing done by Nelson Valley must be done in compliance with Commission regulations. Your letter states Nelson Valley is not testing its new meters received from Rockwell, but Nelson Valley is using Rockwell's test data. If Nelson Valley wants to use Rockwell's test data in lieu of retesting new meters, you must notify the Commission by letter of this intent. In any event Nelson Valley is required to test all service meters removed from service in accordance with 807 KAR 5:066, Section 16(2). Should Nelson Valley wish to deviate from this regulation, it must make a formal application to the Commission. The procedure for filing an application for deviation is set out under Section 8 of 807 KAR 5:006.

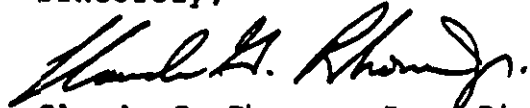
Mr. Volando Taylor
Page 2
May 21, 1990

Nelson Valley is required to adopt and execute a safety program, fitted to the size and type of its operations. A sample copy of a safety program is enclosed for your review. Nelson Valley may adopt this sample as its safety program or create its own. A copy of Nelson Valley's safety program must be sent to the Commission staff for approval.

Nelson Valley does not currently have water storage to ensure a minimum of one day's supply of its average daily water usage. Again, Nelson Valley must formally apply to the Commission requesting a deviation from 807 KAR 5:066, Section 5(4) until it can plan, finance, and implement a program to construct storage facilities.

If further explanation is needed, feel free to call K. Michael Newton at (502) 564-2133.

Sincerely,



Claude G. Rhorer, Jr., Director
Division of Utility Engineering
and Services

CGR:KMN:aem
Enclosures